

**PERRY PARK
WATER AND SANITATION DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Perry Park Water and Sanitation District
Douglas County, Colorado

We have audited the accompanying financial statements of Perry Park Water and Sanitation District (the District), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Perry Park Water and Sanitation District, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

I

Wagner Barnes & Griggs, PC

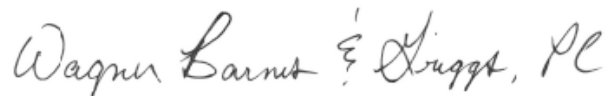
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages III through VII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information on pages III through VII in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Lakewood, Colorado
May 11, 2016

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2015 and 2014**

Our discussion and analysis of Perry Park Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015 and 2014. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2015

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2015 the District's assets exceeded its liabilities and deferred inflows of resources by \$22,541,258. By far the largest component of net position is the District's investment in capital assets of \$19,048,154, which represents 84.5% of total net position. Current assets increased by \$599,850 or 18.1%, net capital assets decreased by \$706,471 or 3.6%, and overall assets decreased by \$106,621 or .5%. The increase in current assets was primarily due to the District recognizing significant capital contributions during 2015

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2015 and 2014**

as the District recognized \$381,400 of water and sewer tap and development fees. Capital assets, net, decreased due to current depreciation exceeding current capital asset additions. See the Capital Asset Administration section below for more information on capital assets. Current liabilities decreased from 2014 to 2015 by \$139,774 or 68.8%, primarily due to capital projects resulting in higher accounts payable at the end of 2014 than at 2015 where there was significantly less capital asset activity and no accounts payable at December 31, 2015 related to capital assets. The net investment in capital assets decreased by \$706,471 due again to current year depreciation expense exceeding current year capital asset additions, resulting in an overall decrease in capital assets.

2014

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2014 the District's assets exceeded its liabilities and deferred inflows of resources by \$22,543,407. By far the largest component of net position is the District's investment in capital assets of \$19,754,625, which represents 87.6% of total net position. Current assets decreased by \$103,608 or 3.0%, net capital assets decreased by \$198,802 or 1.0%, and overall assets decreased by \$301,690 or 1.3%. The decrease in current assets was primarily due to a net operating loss in 2014. Capital assets, net, decreased due to current depreciation exceeding current capital asset additions. See the Capital Asset Administration section below for more information on capital assets. Current liabilities increased from 2013 to 2014 by \$51,344 or 33.8%, primarily due to ongoing capital projects resulting in higher accounts payable at the end of 2014.

NET POSITION

	December 31,		
	2015	2014	2013
ASSETS			
Current assets	\$ 3,919,177	\$ 3,319,327	\$ 3,422,935
Capital assets, net	19,048,154	19,754,625	19,952,707
Total assets	<u>22,967,331</u>	<u>23,073,952</u>	<u>23,375,642</u>
LIABILITIES			
Current liabilities	63,440	203,214	151,870
Total liabilities	<u>63,440</u>	<u>203,214</u>	<u>151,870</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	362,633	327,331	328,090
Total deferred inflows of resources	<u>362,633</u>	<u>327,331</u>	<u>328,090</u>
NET POSITION			
Net investment in capital assets	19,048,154	19,754,625	19,952,707
Restricted	11,300	11,200	11,800
Unrestricted	3,481,804	2,777,582	2,931,175
Total net position	<u>\$ 22,541,258</u>	<u>\$ 22,543,407</u>	<u>\$ 22,895,682</u>

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2015 and 2014**

Changes in Net Position

2015

As noted in the table below, the District's net position for 2015 decreased by \$2,149, which was a significant improvement from 2014 where the net position decreased by \$352,275. Overall revenue increased by \$400,801, or 24.2%. Charges for services increased by \$153,685, or 14.9%, due primarily to an increase in the water base rate by \$50 per bimonthly billing cycle for residential customers and \$50 per monthly billing cycle for commercial customers. This rate increase went into effect on May 1, 2015. Capital grants and contributions increased by \$254,339 or 108.2% from 2014 to 2015. This increase was due to an overall increase in water and sewer tap and development fees and capital improvement fees. The largest portion of this increase was in the water and sewer tap and development fees which increased by \$228,800, or 149.9% due to more development/building within the District's boundaries. Property taxes increased slightly 2014 to 2015, and were consistent the amounts levied for collection in 2015. Miscellaneous income decreased by \$10,533 from 2014 as there were no capital assets sold in 2015 when there were in 2014, and the capital credit refund from IREA (the District's electricity provider) of \$8,397 for 2015 was only 76% of the \$11,050 capital credit refund received in 2014.

Direct water and sewer expenses increased by \$10,874, or .6%, from 2014 to 2015. Increases in unscheduled emergency repairs of \$87,881 and sewage treatment of \$19,741 were offset by decreases in engineering/consultants and water services of \$53,307 and \$64,745, respectively. General and administrative expenses increased by \$32,932, or 14.1%, from 2014 to 2015. This increase was primarily due to the District incurring \$59,591 for the development of a comprehensive master plan. However, this increase was partially offset by lower legal fees by \$29,035. Nonoperating expenses increased by \$6,869 from 2014 to 2015, as a result of the District recognizing a loss on the abandonment of certain construction projects in process.

2014

As noted in the table below, the District's net position for 2014 decreased by \$352,275. Overall revenue decreased by \$167,735, or 9.2%. Charges for services decreased by \$35,795, or 3.3%, due primarily water service charges which decreased by \$41,290 due to lower water usage in 2014 when compared to 2013. Treated water by the District decreased from 440.58 acre feet in 2013 to 403.43 acre feet in 2014. Capital grants and contributions decreased by \$125,812 or 34.9% from 2013 to 2014. This decrease was due to an overall decrease in water and sewer tap and development fees and capital improvement fees. The total number of taps in service at the end of 2013 was 1366 and at the end of 2014 was 1380. Property taxes decreased from 2013 to 2014, due a 7.4% decrease in the assessed valuation. Miscellaneous income increased by \$21,264 due to the sale of a skid loader owned by the District for \$13,000 and the collection of a capital credit refund of \$11,050 from IREA, the District's electricity provider.

Direct water and sewer expenses decreased by \$123,031, or 6.5%, from 2013 to 2014. A decrease in unscheduled emergency repairs of \$99,227 made up the largest portion of this decrease. General and administrative expenses decreased by \$37,668, or 13.7%, from 2013 to 2014. This decrease was primarily due to a decrease in legal fees by \$46,447. Nonoperating expenses remained relatively consistent from 2013 to 2014.

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2015 and 2014**

CHANGES IN NET POSITION

	Years Ended December 31,		
	2015	2014	2013
REVENUES			
Program revenues:			
Charges for services	\$ 1,188,313	\$ 1,034,628	\$ 1,070,423
Capital grants and contributions	489,337	234,998	360,810
General revenues:			
Property and specific ownership taxes	358,565	356,045	382,451
Net investment income	1,736	946	1,932
Miscellaneous	17,701	28,234	6,970
Total revenues	<u>2,055,652</u>	<u>1,654,851</u>	<u>1,822,586</u>
EXPENSES			
Direct water and sewer	1,779,054	1,768,180	1,891,211
General and administrative	266,972	234,040	271,708
Nonoperating	11,775	4,906	5,301
Total expenses	<u>2,057,801</u>	<u>2,007,126</u>	<u>2,168,220</u>
CHANGE IN NET POSITION	(2,149)	(352,275)	(345,634)
NET POSITION - BEGINNING OF YEAR	<u>22,543,407</u>	<u>22,895,682</u>	<u>23,241,316</u>
NET POSITION - END OF YEAR	<u><u>\$ 22,541,258</u></u>	<u><u>\$ 22,543,407</u></u>	<u><u>\$ 22,895,682</u></u>

BUDGETARY HIGHLIGHTS

During 2015 the District's budget was not amended. The appropriated expenditures were \$3,587,431 and actual expenditures were \$1,351,330, or \$2,236,101 under budget. This positive variance was primarily due to capital expenditures being budgeted at \$2,110,000 and actual capital expenditures were \$64,241. Budgeted revenue was \$1,690,031 and actual revenue was \$2,055,652, or \$365,621 more than budgeted. This positive variance was primarily due to water and sewer tap and development fees being higher than anticipated as there was more development within the District's boundaries than anticipated. Additional information regarding the revenue and expenditure variances are available on page 15 of the financial statements.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The District's changes in capital assets for the years ended December 31, 2015 and 2014 are as follows:

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2015 and 2014**

CAPITAL ASSETS (net of accumulated depreciation)

	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2015</u>
Land	\$ 822,192	\$ 10,675	\$ 832,867	\$ -	\$ 832,867
Water rights	3,792,721	-	3,792,721	-	3,792,721
Water system	8,514,570	107,249	8,621,819	(415,014)	8,206,805
Sewer system	6,342,323	(284,291)	6,058,032	(267,173)	5,790,859
Buildings	299,849	(13,224)	286,625	(13,224)	273,401
Equipment and vehicles	-	-	-	-	-
Construction in progress	181,052	(18,491)	162,561	(11,060)	151,501
Total	<u>\$ 19,952,707</u>	<u>\$ (198,082)</u>	<u>\$ 19,754,625</u>	<u>\$ (706,471)</u>	<u>\$ 19,048,154</u>

2015

During 2015 the District spent \$64,241 on capital asset additions. The projects included the Glen Grove Well rehabilitation and the Sageport 2014 LID water and sewer line extension project.

2014

During 2014 the District spent \$549,331 on capital asset additions. The projects included the Wauconda Mechanical Influent screen addition, D-4 Well rehabilitation, A-2 Well rehabilitation, Glen Grove Renewable Water Treatment Plant Clear Well Installation, and the Bear Creek weir replacement.

Additional information on the District's capital assets can be found in Note 4 of this report.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2016 the District's water and sewer rates currently remain the same as 2015. The District levied property taxes at rate of 5.614 mills. Although the mill levy rate remained consistent with 2015, the property tax revenue is expected to increase by approximately \$35,500 as a result of an increase in the District's assessed valuation. The District has no outstanding bonds or debt. For 2016, revenues are budgeted at \$1,802,244, expenditures are budgeted at \$3,284,885, including \$1,800,000 of capital expenditures, with the net result being a budgeted decrease in funds available of \$1,482,641. Ending funds available is budgeted to be \$1,624,407 at December 31, 2016.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Perry Park Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, 5676 West Red Rock Drive, Larkspur, CO 80118.

BASIC FINANCIAL STATEMENTS

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 3,421,656	\$ 2,877,801
Cash and cash equivalents - Restricted	11,300	11,200
Accounts receivable, net	113,083	93,534
Receivable - County Treasurer	2,817	2,633
Property taxes receivable	362,633	327,331
Prepaid expenses	7,688	6,828
Total current assets	3,919,177	3,319,327
CAPITAL ASSETS		
Capital assets, not being depreciated	4,777,089	4,788,149
Capital assets, being depreciated	28,407,616	28,339,175
	33,184,705	33,127,324
Less accumulated depreciation	(14,136,551)	(13,372,699)
Total capital assets	19,048,154	19,754,625
TOTAL ASSETS	\$ 22,967,331	\$ 23,073,952
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 50,909	\$ 188,880
Accrued compensated absences	6,531	5,384
Deposits	6,000	8,950
Total current liabilities	63,440	203,214
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	362,633	327,331
Total deferred inflows of resources	362,633	327,331
NET POSITION		
Investment in capital assets	19,048,154	19,754,625
Restricted for emergencies	11,300	11,200
Unrestricted	3,481,804	2,777,582
Total net position	22,541,258	22,543,407
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 22,967,331	\$ 23,073,952

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 1,188,313	\$ 1,034,628
Direct water and sewer expenses	<u>(1,779,054)</u>	<u>(1,768,180)</u>
GROSS LOSS FROM OPERATIONS	<u>(590,741)</u>	<u>(733,552)</u>
GENERAL AND ADMINISTRATIVE EXPENSES	<u>(266,972)</u>	<u>(234,040)</u>
OPERATING LOSS	<u>(857,713)</u>	<u>(967,592)</u>
NONOPERATING REVENUES		
Property taxes	327,093	326,653
Specific ownership taxes	31,472	29,392
Net investment income	1,736	946
Miscellaneous	17,701	28,234
Total nonoperating revenues	<u>378,002</u>	<u>385,225</u>
NONOPERATING EXPENSES		
County Treasurer's fees	(4,915)	(4,906)
Loss on abandoned construction in progress	<u>(6,860)</u>	<u>-</u>
Total nonoperating expenses	<u>(11,775)</u>	<u>(4,906)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(491,486)</u>	<u>(587,273)</u>
CAPITAL CONTRIBUTIONS		
Water and sewer tap and development fees	381,400	152,600
Capital improvement fees	<u>107,937</u>	<u>82,398</u>
Total capital contributions	<u>489,337</u>	<u>234,998</u>
CHANGE IN NET POSITION	(2,149)	(352,275)
NET POSITION - BEGINNING OF YEAR	<u>22,543,407</u>	<u>22,895,682</u>
NET POSITION - END OF YEAR	<u><u>\$ 22,541,258</u></u>	<u><u>\$ 22,543,407</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,165,814	\$ 1,041,041
Payments to suppliers	(1,174,659)	(1,063,419)
Payments to employees and related expenses	(178,395)	(179,712)
Net cash required by operating activities	(187,240)	(202,090)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	327,093	326,653
Specific ownership taxes	31,288	29,294
Reimbursed expenses	3,738	-
Miscellaneous income	13,963	28,234
County Treasurer's fees	(4,915)	(4,906)
Net cash provided by noncapital financing activities	371,167	379,275
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Water and sewer tap and development fees	381,400	152,600
Capital improvement fees	107,937	82,398
Acquisition of property, plant and equipment	(131,045)	(510,343)
Net cash provided (required) by capital financing activities	358,292	(275,345)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,736	946
Net cash provided by investing activities	1,736	946
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	543,955	(97,214)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,889,001	2,986,215
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,432,956	\$ 2,889,001
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (857,713)	\$ (967,592)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	763,852	747,413
Effects of changes in operating assets and liabilities:		
Accounts receivable	(19,549)	4,063
Prepaid expenses	(860)	1,670
Accounts payable and accrued expenses	(71,167)	9,296
Accrued compensated absences	1,147	710
Deposits	(2,950)	2,350
Net cash required by operating activities	\$ (187,240)	\$ (202,090)

These financial statements should be read only in connection with the accompanying notes to financial statements.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – DEFINITION OF REPORTING ENTITY

Perry Park Water and Sanitation District (District), a quasi-municipal corporation, was organized in 1969, and is governed pursuant to provisions of the Colorado Special District Act. The District exists to provide water and sanitary sewer facilities and services to the Perry Park area of Douglas County, Colorado. A portion of the District is included in the Town of Larkspur.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District had no authorized but unissued debt and no service plan limitations regarding debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets, and redemption of bonds and loans are recorded as a reduction in liabilities. Tap and expansion fees, capital improvement fees and contributed assets from developers are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Accounts Receivable

Accounts receivable are shown net of an allowance for uncollectible accounts. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Due to the District's powers of collection, no allowance for uncollectible accounts has been deemed necessary.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include land, water rights, buildings, distribution and collection systems and machinery and equipment, are reported by the District. Capital assets are defined by the District as capital assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation or at the developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation and amortization expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings	35 years
Distribution and collection systems	35 years
Machinery and equipment	3-10 years

Tap and Development Fees, Capital Improvement Fees and Capital Contributions

Tap and development fees and capital improvement fees are recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost or at estimated fair value when received. The District records the contributions at the time the lines are conveyed to the District for preliminary acceptance.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Compensated Absences

The District's employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued when incurred in the financial statements. The District has accrued for future payment of this earned leave.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2015 and 2014 are classified in the accompanying financial statements as follows:

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents - Unrestricted	\$ 3,421,656	\$ 2,877,801
Cash and Cash Equivalents - Restricted	11,300	11,200
Total cash and investments	<u>\$ 3,432,956</u>	<u>\$ 2,889,001</u>

Cash and investments as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Deposits with financial institutions	\$ 834,452	\$ 395,484
Investments	2,598,504	2,493,517
Total cash and investments	<u>\$ 3,432,956</u>	<u>\$ 2,889,001</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2015 and 2014, the District's cash deposits had a bank balance of \$836,488 and \$410,743, respectively, and a carrying balance of \$834,452 and \$395,484, respectively.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- * Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2015 and 2014, the District had the following investments:

Investment	Maturity	2015	2014
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 111,604	\$ 111,406
Colorado Liquid Asset Trust (COLOTRUST)	Less than one year	<u>2,486,900</u>	<u>2,382,111</u>
		<u>\$ 2,598,504</u>	<u>\$ 2,493,517</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designate custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statute governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

Cash and investments are restricted for the following purposes:

Emergency Reserve

Cash and investments of \$11,300 and \$11,200 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2015 and 2014, respectively (see Note 8).

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**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	Balance at December 31, 2014	Additions	Disposals/ Retirements	Balance at December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 832,867	\$ -	\$ -	\$ 832,867
Water rights	3,792,721	-	-	3,792,721
Construction in progress	162,561	64,241	75,301	151,501
Total capital assets, not being depreciated	<u>4,788,149</u>	<u>64,241</u>	<u>75,301</u>	<u>4,777,089</u>
Capital assets, being depreciated:				
Water system	15,836,952	39,365	-	15,876,317
Sewer system	11,812,364	29,076	-	11,841,440
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>28,339,175</u>	<u>68,441</u>	<u>-</u>	<u>28,407,616</u>
Less accumulated depreciation for:				
Water system	7,215,133	454,379	-	7,669,512
Sewer system	5,754,332	296,249	-	6,050,581
Buildings	182,408	13,224	-	195,632
Equipment and vehicles	220,826	-	-	220,826
Total accumulated depreciation	<u>13,372,699</u>	<u>763,852</u>	<u>-</u>	<u>14,136,551</u>
Total capital assets being depreciated, net	<u>14,966,476</u>	<u>(695,411)</u>	<u>-</u>	<u>14,271,065</u>
Total capital assets, net	<u><u>\$ 19,754,625</u></u>	<u><u>\$ (631,170)</u></u>	<u><u>\$ 75,301</u></u>	<u><u>\$ 19,048,154</u></u>

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**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 4 - CAPITAL ASSETS (continued)

An analysis of the changes in capital assets for the year ended December 31, 2014 follows:

	<u>Balance at December 31, 2013</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 822,192	\$ 10,675	\$ -	\$ 832,867
Water rights	3,792,721	-	-	3,792,721
Construction in progress	181,052	549,331	567,822	162,561
Total capital assets, not being depreciated	<u>4,795,965</u>	<u>560,006</u>	<u>567,822</u>	<u>4,788,149</u>
Capital assets, being depreciated:				
Water system	15,291,595	545,357	-	15,836,952
Sewer system	11,800,574	11,790	-	11,812,364
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>27,782,028</u>	<u>557,147</u>	<u>-</u>	<u>28,339,175</u>
Less accumulated depreciation for:				
Water system	6,777,025	438,108	-	7,215,133
Sewer system	5,458,251	296,081	-	5,754,332
Buildings	169,184	13,224	-	182,408
Equipment and vehicles	220,826	-	-	220,826
Total accumulated depreciation	<u>12,625,286</u>	<u>747,413</u>	<u>-</u>	<u>13,372,699</u>
Total capital assets being depreciated, net	<u>15,156,742</u>	<u>(190,266)</u>	<u>-</u>	<u>14,966,476</u>
Total capital assets, net	<u>\$ 19,952,707</u>	<u>\$ 369,740</u>	<u>\$ 567,822</u>	<u>\$ 19,754,625</u>

Depreciation expense for the years ended December 31, 2015 and 2014 were charged as follows:

	<u>2015</u>	<u>2014</u>
Water	\$ 454,379	\$ 438,108
Sewer	296,249	296,081
General and administration	13,224	13,224
	<u>\$ 763,852</u>	<u>\$ 747,413</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 5 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2015 and 2014 the District had a net investment in capital assets of \$19,048,154 and \$19,754,625, respectively.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had net position restricted for the Emergencies (see Note 8) of \$11,300 and \$11,200 as of December 31, 2015 and 2014, respectively.

NOTE 6 - PENSION AND BENEFIT PLANS

Deferred Compensation Plan - Assets in Trust

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Lincoln National Life. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies. The District matches the employee's contribution up to a percentage of compensation as follows: 0-2 years of employment 2%; 2 years of employment 3%; 3 years of employment 4%; and 5 or more years of employment 5%. The District's contributions for the years ended December 31, 2015 and 2014 were \$6,457 and \$6,185, respectively.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for most risks of loss. There were no significant changes in insurance coverage from the prior year and the amount of claims have not exceeded coverage for the last three years.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. The District does not believe that it qualifies as a TABOR Enterprise.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and Enterprise qualification will require judicial interpretation.

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all revenues it has received in the past and expects to receive thereafter without regard to any limitations under TABOR.

The November 7, 2006 election question reads as follows:

Shall Perry Park Water and Sanitation District (without increasing existing tax rates or imposing a new tax) be authorized to collect, retain and spend all revenues from whatever source beginning in 2000 and in each year thereafter as a voter approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, the 5.5% property tax revenue limit of Section 29 1 301, C.R.S. or any other law?

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULES OF EXPENSES
Years Ended December 31, 2015 and 2014

	2015	2014
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 94,537	\$ 93,638
Engineering/consultants	39,459	92,766
Outside operations labor	354,204	354,204
Repairs and maintenance	95,392	7,511
Sewage treatment	146,921	127,180
Utilities	206,575	202,609
Water services	91,338	156,083
Depreciation	750,628	734,189
Total direct water and sewer expenses	\$ 1,779,054	\$ 1,768,180
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 8,265	\$ 8,527
Auto expenditures	2,941	2,534
Contract labor	3,963	4,078
Directors' fees	5,500	6,200
Dues and subscriptions	6,521	5,796
Election costs	-	556
Employee benefits	34,292	37,861
Insurance	22,265	21,160
Bank charges	3,001	2,868
Legal	15,956	44,991
Comprehensive master plan	59,591	-
Miscellaneous	3,055	2,623
Office expenses	19,314	19,481
Outside services	797	768
Public information	2,042	1,976
Repairs and maintenance	8,847	7,423
Salaries and payroll taxes	45,213	42,723
Travel, training and meetings	905	77
Utilities	11,280	11,174
Depreciation	13,224	13,224
Total general and administrative expenses	\$ 266,972	\$ 234,040
NONOPERATING EXPENSES		
County Treasurer's fees	\$ 4,915	\$ 4,906
Loss on abandoned construction in progress	6,860	-
Total nonoperating expenses	\$ 11,775	\$ 4,906

**PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2015**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Water service fees	\$ 657,000	\$ 705,832	\$ 48,832
Sewer service fees	418,000	446,034	28,034
Administrative fees	11,500	11,747	247
Connection and inspection charges	11,000	24,700	13,700
Miscellaneous income	5,000	13,963	8,963
Property taxes	327,331	327,093	(238)
Specific ownership taxes	24,550	31,472	6,922
Reimbursements	5,000	3,738	(1,262)
Net investment income	1,000	1,736	736
Water and sewer tap fees	80,000	192,645	112,645
Water and sewer development fees	66,650	188,755	122,105
Capital improvement fees	83,000	107,937	24,937
Total revenues	<u>1,690,031</u>	<u>2,055,652</u>	<u>365,621</u>
EXPENDITURES			
Direct water and sewer expenditures	1,103,714	1,028,426	75,288
General and administrative expenditures	368,800	253,748	115,052
County Treasurer's fees	4,917	4,915	2
Capital outlay	2,110,000	64,241	2,045,759
Total expenditures	<u>3,587,431</u>	<u>1,351,330</u>	<u>2,236,101</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,897,400)	704,322	2,601,722
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,626,465</u>	<u>2,788,782</u>	<u>162,317</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 729,065</u>	<u>\$ 3,493,104</u>	<u>\$ 2,764,039</u>

Funds available at is computed as follows:

Current assets	\$ 3,919,177
Current liabilities	(63,440)
Deferred inflows of resources	(362,633)
	<u>\$ 3,493,104</u>

**PERRY PARK WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2015**

Revenue (budgetary basis)	\$ 2,055,652
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	2,055,652
Expenditures (budgetary basis)	1,351,330
Depreciation	763,852
Capital outlay	(64,241)
Loss on abandoned construction in progress	6,860
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	2,057,801
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ (2,149)

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2015**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied		Total Property Taxes		Percent Collected to Levied
	Water and Sanitation Service Area	Water Service Area	Water and Sanitation Service Area	Water Service Area	Levied	Collected Currently	
	2005	\$ 53,391,430	\$ 257,720	11.654	5.605	\$ 623,668	
2006	\$ 61,592,870	\$ 486,210	10.368	4.754	\$ 640,906	\$ 631,931	98.60%
2007	\$ 62,947,177	\$ 46,700	10.368	4.754	\$ 652,858	\$ 648,370	99.31%
2008	\$ 71,086,422	\$ 49,090	8.614	3.000	\$ 612,486	\$ 617,311	100.79%
2009	\$ 73,233,890	\$ 72,370	5.614	0.275	\$ 431,294	\$ 428,167	99.27%
2010	\$ 75,049,000	\$ 268,690	5.614	-	\$ 421,325	\$ 420,958	99.91%
2011	\$ 75,646,980	\$ 363,580	5.614	-	\$ 424,682	\$ 420,516	99.02%
2012	\$ 62,809,860	\$ 389,580	5.614	-	\$ 352,615	\$ 352,195	99.88%
2013	\$ 63,139,770	\$ 361,230	5.614	-	\$ 354,467	\$ 352,742	99.51%
2014	\$ 58,441,420	\$ 370,760	5.614	-	\$ 328,090	\$ 326,653	99.56%
2015	\$ 58,306,220	\$ 349,830	5.614	-	\$ 327,331	\$ 327,093	99.93%
Estimated for the year ending December 31, 2016	\$ 64,594,490	\$ 356,280	5.614	-	\$ 362,633		

NOTES:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.